

Disclosure Brochure
Form ADV, Part 2

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Please retain a copy of this brochure for your records.

This brochure provides information about the qualifications and business practices of BMF Investments, Inc. If you have any questions about the contents of this brochure, please contact us at 704-563-2960 or barry@bmfinvest.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about BMF Investments, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Where we may use the term 'registered investment advisor', it should be clear that we do so as an identification of our business practice. The term should not imply a special level of skill or training.

There are some material changes represented in this brochure. The most obvious change is the format is now in a narrative form that should make information on BMF Investments, Inc. easier to understand. BMF's fiduciary responsibility is to hold its clients paramount in all decisions. This disclosure should give clients and potential clients a clearer understanding of our business practices, how we are compensated, our investment strategies/ methodology, and client interaction. We are also changing the name of our Income/ Growth Portfolio to the Evolution Portfolio. The strategy will remain intact. We believe the new name simply better reflects the challenges presented by an evolving market.

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1. Advisory Business

A. About Us

BMF Investments, Inc. is an independent investment advisory firm headquartered in Charlotte, North Carolina owned by Barry M. Ferguson and Sandra A. Ferguson. Incorporated in 1997, we have remained independent and without subsidiaries. We are committed to providing our clients with independent investment advice derived from our own analysis. Barry M. Ferguson not only serves as President of BMF Investments, Inc., but he also serves as the advisor of all portfolios offered. He has no other persons working under him making investment decision.

B. Services Offered

BMF Investments, Inc. (herein known as 'BMF') offers fee-based investment advice and portfolio management through different portfolios that engage strategies designed for different objectives. We utilize mutual funds, exchange traded funds (ETFs and ETNs), individual stocks, market-linked CDs, and other alternative notes that produce income. We do not engage in 'financial planning' and we do not give tax advice. The mutual funds that we utilize are generally those that carry no sales charges (no-load) and no transaction expenses. As an independent advisor, BMF constantly tries to find the best investments that meet our clients' objectives. We are compensated by charging a fee based on assets held under management. We do not charge commissions for any of our work. Finally, we offer a subscription to our newsletter, Barry's Bulls, to non-clients at \$120 per year. Clients receive the newsletter at no charge.

At no time do we accept custody of clients' assets. We open accounts for clients in clients' names at qualified custodian firms (example: TD Ameritrade Institutional). BMF never accepts checks, assets, or transfers in the BMF personal or company accounts. Clients always retain possession of their assets in that all transfers, disbursements, and funding is done through the custodian - not BMF.

C. 'Tailored' Portfolios

BMF offers 'model' portfolios which we manage. We also offer some 'tailored' portfolios for clients that have unique objectives. For instance, a client might have an objective for a specific income to be generated from their account and also have an objective of capital growth. A portfolio might be designed to use some of the funds for income and the rest for capital growth. We also offer 'Consultation Only' services where we only serve as an advisor to the client. In this case, the client elects to have their funds at a particular custodian and the client retains the responsibility of allocation. BMF simply renders

advice. BMF will also allow for clients to place certain restrictions on particular assets that might be held in their accounts. For instance, a client might not want to own shares in a company whose business is the production of tobacco products.

D. Client Assets

BMF will exercise discretion on all advisory accounts except in the case of the Consultation Only arrangement. Discretion means that BMF will have the responsibility to allocate the portfolio according to the strategy objective. BMF will also make allocation changes as necessary as dictated by our own analysis on market trends, indicators, and economic data. In no way should BMF ever be considered to have custody of client assets. As of 3/26/2012, BMF had \$27.3 million in assets under management with only \$600,000 being in a non-discretionary portfolio.

2. Fees and Compensation

A. Compensation - BMF is a fee-based investment advisory firm. A large portion of our business comes from other advisors that are agents of Broker/ Dealers. The advisor agents add an extra layer of oversight and financial planning. In these cases, BMF is simply a third-party advisor responsible only for allocation changes and in some cases, fee billing. In some cases, BMF is not responsible for establishing a fee rate. BMF is compensated for advisory services by charging a fee based on assets held under management. The total fee must be shared with the contracting agent and Broker/ Dealer. BMF does not accept commission payments. We bill an annualized fee to our clients within 5 business days after the end of each calendar quarter. The fee is based on the assets held on the last day of the preceding quarter and it applies to the current quarter. As an example, if a client had \$100,000 under management at the end of the first calendar quarter (3/31/11) and they were assessed a 2% annual fee, they would be billed \$500 ($\$100,000 \times 2\% \div 4$) for advisory services contracted for the second quarter (4/1/11 - 6/30/11). Clients are billed on a per day advisory service usage so the exact amount of billing can vary because calendar quarters can vary in number of days. A typical fee schedule for a non-annuity portfolio follows:

Account Value	Below \$250,000	\$250,000 – \$500,000	\$500,000 - \$1,000,000	Over \$1,000,000
Annualized Fee	2.5%	2%	1.5%	1% (*Negotiable)

a. BMF serves as the advisory for various variable annuity products. The insurance companies that offer these products maintain custody of client assets and accept responsibility for trade execution acting upon the re-allocation request from BMF. As such, they are less labor intensive and are therefore given a fee schedule to reflect this difference. The typical variable annuity fee schedule follows:

Account Value	Below \$500,000	\$500,000 - \$1,000,000	> \$1,000,000
Annualized Fee	1.65%	1.30%	.90%

b. BMF also contracts with individual clients that are not clients of other advisors or broker-dealers. As such, BMF does not offer any sort of financial planning or tax advice. These are solely clients of BMF and as such, they may be offered a different fee schedule such as the following:

Account Value	Below \$500,000	\$500,000 - \$1,000,000	> \$1,000,000
Annualized Fee	1.3%	1.0%	0.75%

c. In certain circumstances, fees can be negotiated. For instance, a client with assets that qualify for a 1.5% annualized fee might also have another account and request a like fee rate. Additionally, an advisory arrangement on a 'Consultation Only' basis can be negotiated. This can be considered on a case by case basis.

B. Billing Methodology - Advisory fees are generally deducted from client accounts under normal billing cycles. In some cases, clients request to pay by check. This is perfectly acceptable. A bill is generated and mailed to the address of record. Clients return a check for advisory services billed. For either method, the billing cycle is the same as a bill is generated every calendar quarter or 4 times per year.

C. Other Client Expenses - BMF believes that the fairest way to contract for advisory services is to simply charge a fee based on assets held under management. BMF does not charge commissions or transaction fees for our services. We go to great lengths to find and utilize mutual fund families that are commission free and transaction free. For other investments such as ETFs or individual stocks, BMF absorbs the trading expense. We believe this arrangement allows us to maintain our independence and integrity to our clients. There are some charges that may be out of our control. For instance, a custodian might charge an annual IRA fee or a fee to close an account.

D. Fees Paid in Advance - BMF bills in advance for advisory services. Should a client wish to terminate advisory services, they may do so at any time. We would ask that this be done in writing with a letter of intent or an email. We realize that this is not always practical as in the case of death. Since we bill in advance, a contract termination will trigger a refund for the number of days not used in the billing cycle. For instance, if an advisory contract was terminated after only 45 days of a 90 day cycle, the client would be due for a refund of the 45 days unused of the pre-paid fee. BMF calculates fees by the day for this very reason. Refunds should be expected by the beginning of the next billing cycle.

3. Performance based Fees

BMF does not accept performance based fees.

4. Types of Clients

BMF's clients would typically be individuals. As such, our clients require accounts that are non-qualified accounts, IRAs (qualified), SIMPLE IRAs, and trusts. As a rule, a minimum asset value to open an account with BMF as advisor would be \$100,000. However, this is negotiable.

5. Methods of Analysis, Investment Strategies, and Risk of Loss A. Analysis

BMF uses a 'macro to micro' approach to investing. Simply put, the individual investments should be studied in the context of the overall market. If the major market indices are in a bullish phase, there is a better likelihood of a positive investment in an individual equity. The analysis of the overall market comes through an analysis of the overall economic environment. Economic data is important but so too is Federal Reserve monetary policy, tax law and changes therein, political shifts, demographics, and even social trends. The economic data includes factors like unemployment, wages, housing, debt, manufacturing activity, and even railroad car shipments. Sources for this information can come from anywhere - newspapers, magazines, the Internet, blogs, and financial networks on television. We then formulate a 'big picture' of the investment environment. From there, we begin to delve into areas and asset classes that might be most advantageous. For instance, if inflation were to accelerate, we might concentrate on precious metals as a likely portfolio holding. BMF is primarily dependent upon technical analysis. Technical analysis is the study of price charts over time. Price charts tend to form particular shapes over time that have a tendency to resolve into certain outcomes. Price charts are readily available throughout the Internet. The study and interpretation is an art and not a science. BMF formulates its own interpretations. Secondly, fundamental analysis is utilized. This is the collection and interpretation of data such as corporate earnings, corporate profits, and ratios such as price to earnings ratios. This data is also freely gathered throughout newspapers and the Internet.

- a. Our strategies all involve an 'absolute return' focus. This means we try to interpret the general trend of markets, sectors, and individual equities and invest accordingly. When markets and sectors trend down, we try to take advantage of that trend by utilizing so-called 'inversely correlated' investments. In other words, we use certain mutual funds or ETFs that are meant to rise when their underlying benchmark falls. We also employ the use of 'leveraged' mutual funds and ETFs in our portfolios.
Leveraged mutual

funds and ETFs are designed to magnify gains or losses of the underlying benchmark target. It should be noted that these types of investments are only meant to have daily correlations with their benchmark targets. Therefore, they can be more volatile and may not over time accurately track their intended benchmarks. They require constant vigilance.

b. Risks. BMF has never wavered on risk and would like all clients to understand very clearly our perspective when it comes to investing risk. At BMF, it is very simple. All money exposed to an investment that is dependent upon market participants for pricing is vulnerable to loss of principal. Almost every investment could potentially result in a total loss of principal. This is why we believe the addition of an investment advisor is so critical. We do not believe risk-free investing exists. All money invested is at risk every second it is exposed. Even deposits that have 'FDIC' coverage are not, in our view, risk-free. The third initial in 'FDIC' stands for 'Insurance'. What if the insurance pool ran dry? There is also no guarantee, nor should there be, that any of our strategies will meet their objectives. There is no guarantee that any of our strategies won't lose money. Investors need to genuinely assess their risk tolerances for losses before ever committing any money to stocks, mutual funds, ETFs, or anything else that might fluctuate in value from day to day. Investors that cannot absorb a loss of any kind should not commit their money to such a market. Further, investors should consider and be aware that there are multiple types of risks involved in investing. There are market risks (such as bear markets that negatively impact nearly all market exposed investments), there are currency risks (changes in currency valuations can affect equity valuations), there are economic risks, and there are political risks. When considering other alternatives, we would like to point out that any 'guarantee' that has an asterisk (*) beside it, is not really a 'guarantee'.

B. Investment Strategy Methodology

The following is a summary of our most exemplary portfolio strategies.

a. Evolution Portfolio: The objective is for a balance of capital gains and managed risk. Capital preservation will be a concern and the portfolio will therefore utilize certain asset classes such as money markets and other debt instruments in periods where the manager feels there is an inordinate degree of risk in the equity market. Growth will be exploited from asset classes in the equity market that the manager feels have appreciation potential. Macro-economic themes will drive asset allocation models. The portfolio balance will be determined by the manager's analysis of economic fundamentals and technical factors. This portfolio will be concentrated with mostly no-load, load-waved, and institutional share mutual funds. It will include at times inversely correlated funds, leveraged funds, international funds and sector funds. There is potential for loss of principal. There will be no guarantee that the objective will be met nor will there be an implied index for which a benchmark may be applied.

b. Retirement Portfolio: The objective is to produce a steady and consistent income stream derived principally from dividend producing equities. Other income producing asset classes will be considered from time to time such as bonds/ notes (both Treasury and Corporate). Any capital gains potential would be considered a secondary objective. The potential income produced will depend on equity offerings and their associated dividend payouts or interest coupons derived from debt offerings. The portfolio might also include certain alternative income products such as market-linked CDs, and bank notes known as 'steepeners'. From time to time, the manager may elect to utilize both inverse and leveraged holdings as a hedging technique or trend following strategy. The portfolio is intended to be non-diversified and non-correlated to any benchmarks. The manager will seek to gain as much income potential as possible with risks mitigated as much as possible through the utilization of proprietary fundamental and technical analysis. Typical market volatility will not be a factor in acquiring or disposing of holdings. Therefore, this portfolio is designed for long-term investors seeking an income stream. There is potential for loss of principal. There will be no guarantee that the objective will be met nor will there be an implied index for which a benchmark may be applied.

c. Market Opportunities Portfolio: The portfolio will employ an absolute return approach to investing that allows the manager to seek growth and capital gains opportunities in the equity markets as presented based on interpreted trends and themes identified by utilizing technical and fundamental indicators. The strategy will be a non-diversified approach irrespective of market capitalization or asset class that may at times include individual equities, ETFs, debt instruments, mutual funds, and money markets. Certain mutual funds or ETFs might utilize certain strategies such as inverse correlation or leverage. Exact allocations and targeted sectors will be determined by the manager and will depend on presented market conditions. Allocations will be positioned to explore growth opportunities whether the overall market trend is up or down. There is potential for loss of principal. There will be no guarantee that the objective will be met nor will there be an implied index for which a benchmark may be applied.

C. Types of Securities Recommended

BMF utilizes certain types of securities that should be considered before contracting advisory services. One, inverse mutual funds and ETFs carry a certain risk potential in that they generally produce gains when their benchmarks produce losses. In turn, these inverse investments can produce losses when their benchmarks produce gains. The trend must be interpreted accurately. Additionally, they are not designed to be 'long term' holdings. They should be expected to be traded somewhat more frequently than traditional investments. While the client is not exposed to transaction costs, there may be tax consequences to consider that accompany shorter term trading strategies. Please consult your tax advisor. Two, leveraged funds generally carry more risk than a non-

leveraged benchmark funds as they magnify gains or losses. As an example, if we used a leveraged ETF whose benchmark was gold, should gold rise 1% in a trading day the corresponding ETF would be expected to rise 2%. Should gold fall 1%, the corresponding ETF would fall 2%. Further, leveraged funds are designed for shorter-term traders and as such, may not match their intended benchmark targets over time. Third, ETFs in general should be addressed for their risks associated with non-diversification. Most ETFs are concentrated in their holdings and most analysts cite this as a reason for a higher risk assumption. However, we believe further analysis is necessary. As an example, there is no such guarantee that any company that issues stock will be in business the following day. We have seen this over the past few years with companies like AIG, Citigroup, Bear Stearns, and so on. Companies once thought to be solid companies either declared bankruptcy or relied on government assistance to survive. As we know, bankrupt companies find their stock values at zero. An ETF, on the other hand, may be non-diversified but the risks of every single holding in the portfolio going bankrupt at one time is less than that of holding an individual equity. It is our contention that risks must be measured with current market analysis. Some products that are considered to be higher in risk can in fact be managed to fit well in certain portfolios.

6. Legal or Disciplinary Information

None to report.

7. Financial Industry Activities and Affiliations

A. BMF is not a registered agent, nor is it applying for the opportunity or representation, of any broker-dealer.

B. BMF does have a relationship with investment advisor agents of broker-dealers. The investment advisor agents refer clients to BMF for whom BMF assumes advisory responsibilities. In these arrangements, the advisory fees generated are split between BMF, the investment advisor agent, and the broker-dealer. BMF currently has agreements in place with NEXT Financial Group, Inc. and First Allied Advisors, Inc. In all cases, BMF remains a separate and independent advisory firm whose sole allegiance and fiduciary responsibility lies with our clients. BMF does not pay any additional referral fee for clients acquired through this arrangement.

8. Code of Ethics

A. Summary

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, BMF has developed a Code of Ethics ("Code") as a means of memorializing our vision of appropriate and

professional conduct in carrying out the business of providing investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material non-public information
- The addressing of conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- The firm's IPO and private placement policy
- The reporting of violations of the Code • Educating employees about the Code
- Enforcement of the Code

Each of BMF's representatives has been furnished with a copy of our Code and has signed their names to a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all clients and prospective clients upon request.

B. BMF Investment Policy

Neither BMF nor any of its owners/ personnel are allowed to invest in their own accounts any holding that is purchased for clients in portfolios. This action is prohibited to preserve our integrity over our recommendations such to negate any conflicts of interest.

9. Brokerage Practices

A. Selection of broker-dealers

Principally, BMF utilizes the services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. member FINRA, SIPC as a clearing firm/ custodian for all non-annuity business. We believe TD Ameritrade Institutional provides us with an excellent platform to conduct business for a variety of reasons. Our reasoning for choosing TD Ameritrade Institutional include: 1) an independent custodian that allows advisors free choice of investment vehicles. 2) an electronic friendly custodian that provides excellent Internet access to client accounts for purposes of trading, electronic storage and retrieval of forms, statements, confirmations, and tax documents, as well as fee billing. 3) Service teams dedicated to certain advisors that allow us to resolve questions very quickly. 4) Real-time flow of information and orderly back-up systems. 5) A no-transaction fee list of mutual funds that fit fee-based advisor models. 6) Low transaction costs for ETFs and equities that allow fee-based advisors to keep fees low for clients. 6) Financially sound custodian.

B. Soft Dollar Arrangements BMF does not engage in soft dollar arrangements of any kind. C. Directed Brokerage

Clients are not permitted to carry out directed brokerage activities.

10. Aggregate Purchase and Sale of Securities

BMF typically only aggregates the purchase or sale of mutual funds. Mutual fund positions are settled after the end of trading and we only use no-load, no-transaction funds. The client does not incur sales charges or trading expenses. Transactions of equities or ETFs are generally not aggregated as those portfolios are not traded as model portfolios. Each client receives individual attention and their portfolios are traded individually. There are no price breaks for aggregated trading so the only cost differences similar clients might experience would be due to market variance due to order timing. We believe the trade-off works to the benefit of the client because of the personalized attention.

11. Review of Accounts

Barry M. Ferguson, CCO, selects a sample of client accounts to review quarterly for purposes of suitability and objective maintenance. Any discrepancies trigger a re-evaluation of the account and a possible portfolio re-balance.

BMF takes no responsibility for producing any reports to clients. The custodian provides not only online access for clients to review their accounts but also monthly statements, confirmations, and tax information. BMF expressly does not provide performance reports as each client account varies according to contributions, disbursements, and objective.

12. Client Referrals

The only client referral arrangement in which BMF is engaged is our previously stated agreement with broker-dealers who allow investment advisor agents to contract BMF as a third party advisor. The only compensation is the sharing of the advisory fee generated.

13. Custody

At no time does BMF assume custody of client assets. A client's assets are always owned by the client and they rest under the custody service of a qualified custodian. The custodian issues and mails statements to the clients' address of record. These statements should be carefully reviewed for accuracy and activity. BMF does not issue any statements of its own.

14. Investment Discretion

BMF assumes discretionary authority to manage client accounts for purposes of asset purchase, asset sale, timing of those buys and sales, allocation, and billing. Clients may set limits on certain investments with written or verbal communication. Before contracting BMF for advisory services, the client is asked to sign a BMF Client Account Agreement that serves to execute the power of attorney for such activity. The client is also required to sign a New Account form provided by TD Ameritrade Institutional (the Custodian) that will name BMF as the power of attorney for these purposes.

15. Voting Securities

BMF, as a matter of policy and practice, does not assume or accept any responsibility or authority to vote any BMF Client proxies. BMF Clients always maintain the responsibility for making proxy voting decisions and voting proxies.

16. Financial Information

BMF has not attached a balance sheet for its most recent fiscal year because it does not have custody of client assets and it does not require a prepayment of \$1,200 in fees per client six months in advance.